
Performance Management And Motivation: A Case Analysis Of Haier

Introduction

Haier has grown from a struggling Chinese state-owned enterprise to a global leader in appliance manufacturing. Its success can be attributed to effective marketing strategies and a unique performance management system introduced in 1985. This system made employees directly responsible for their own performance and as such their own salary. It created opportunities for growth and reward, whilst setting an increasing standard of work. Haier introduced transparency, fairness and justice to a society that was governed by inflexible traditional values. This report will analyse the key motivational drivers of this management system using three general motivation: Maslow's Hierarchy of Needs (1954), McClelland's Three Needs Theory (1984), and Herzberg's Two-Factor Theory (1966). It will then examine the traditional and modern values of Chinese society that have contributed to Haier's success. Finally, a comparison to Australian culture will be made to discuss the global applicability of such a performance management system.

Performance Management and Motivation Employee motivation is a key managerial consideration that directly influences productivity, innovative thinking and profitability. Theorists propose that there are multiple needs that must be fulfilled to motivate workers. Maslow (1954) suggests that the physiological, safety, social and self-esteem needs must be fulfilled before reaching self-actualisation; one's full potential. McClelland (1984) argues that workers can have three motivators: achievement needs, power needs or affiliation needs, which can influence one's optimal role in an organisation. Herzberg (1966) proposes that in a workplace, there exists intrinsic motivators and extrinsic hygiene factors that may cause dissatisfaction. These theories all seek to explain the innate psychological phenomena that contributes to peak human motivation. Haier encouraged employees to perform and reach self-actualisation by fulfilling the last of Maslow's basic needs, self-esteem. Maslow (1954) classifies esteem needs into two sets that are internal and external. Firstly, there are needs that stem from oneself, which include achievement, adequacy and independence. Haier promoted these self-needs by giving employees the freedom to set their own performance targets and be responsible for improving and stretching these targets, allowing the inclusion of individual expectations and competitiveness. Success in meeting these targets resulted in a heightened sense of personal achievement and competency. The second set of needs are those that stem from others, which include the need for reputation, recognition and appreciation. Employees were given an informal grade that was displayed publicly, and those who performed especially well were used as an exemplar to encourage others. Thus, employees were able to receive the desired attention and recognition from others if they performed especially well. The satisfaction of these esteem needs led to heightened confidence, self-worth, inner-strength and perception of necessity, which in turn drove self-actualisation, the idea of reaching one's full potential. Haier's management method was able to effectively motivate two types of employees, those with the need for achievement and those the need for power. McClelland (1984) suggests that the need for achievement exists in employees who prefer independent, structured and moderately difficult work that revolves around effort and feedback. The Overall, Every,

Control and Clearance (OEC) system created an environment whereby employees set increasingly difficult targets each day whilst being monitored, evaluated and sometimes rewarded by their supervisors. This supervisor-employee interaction created an incentive for those with a need for achievement as they could be recognised for their efforts whilst aspiring towards job mastery. On the other hand, those with the need for power do not seek opinions and instead prefer to assert control over others in order to 'win'. These traits often characterise a good manager as they can direct the behaviour of others to achieve a positive outcome. Haier used this principle in fostering the growth, development and motivation of their own managers. An 80:20 principle was enforced, whereby the 20% who were managers were responsible for 80% of company results. Also, individual profit and loss was attributed to miniature companies which managers were accountable for. This actively drove management to push their employees to be more effective in order to achieve the status and monetary gain that they desired.

Haier maintained a satisfied workforce by managing Herzberg's (1966) intrinsic motivators. Motivators are factors that satisfy employees through the nature of their job and the associated opportunities they are presented with. Haier used a 'Racetrack Model' for performance evaluation, promotions and demotions, whereby all employees could compete for job openings and positions. This formed a basis for job enrichment, whereby employees of all types could assume a more significant role that their specifications would otherwise exclude them from. Additionally, those who succeeded were rotated amongst different jobs, ensuring they understood the role of different departments and their requirements. As such, employees could experience a more dynamic, interesting and fulfilling work life, culminating in job enlargement. These factors combined with the systems of responsibility and recognition created an intrinsically motivating job.

These three motivational theories have explained how Haier have aroused, directed and maintained the interests of their employees (Wright, Berrell, & Gloet, 2008). However, there exists gaps which should have theoretically hindered their success. Maslow (1954) and McClelland (1984) propose that social and affiliation needs are required for effective teamwork, and should be satisfied through friendship, social groups and sense of belonging. In the case of Haier, teammates were effectively in competition with each other, and those who performed poorly are separated and punished. This should have theoretically caused discouragement and unproductiveness, but the results suggest otherwise. As such, understanding the influence of traditional and modern Chinese values are needed to fully comprehend the success of these theoretical motivators.

Traditional and Modern Values

Chinese traditional values and norms have been built upon the five central Confucian beliefs, Jen, Chuntzu, Li, Te and Wen (Gannon & Pillai, 2016). Jen means respect both towards others and towards oneself. Chuntzu means sincerity and accommodation of others. Li refers to importance of family, filial piety and an authority-ranking culture. Te means people should be ruled by morals not force. Wen refers to the importance of arts in teaching morals and achieving peace. As a result of these ideals, Chinese society has been centred around a high-context social structure involving Face, Guanxi, and Quanzi. Face is a set of unwritten rules which people follow to uphold the reputation and respect of one another, similar to the western concept of self-esteem (Gannon & Pillai, 2016). Guanxi is a form of social capital, which

represents the loyal relationships one has formed over time with mutual obligations. Quanzi is a circle based on trust and relationships that separate insiders and outsiders (Gannon & Pillai, 2016).

Increasing economic freedom and western influence in the 1970s began intersecting traditional collectivist beliefs with elements of individualism. Ideas of merit, status and achievement evolved from communal wellbeing to individual wealth and power - propelled by traditions of humility and the idea of Face, where the Chinese prefer the “facts to speak for themselves” (Wright, Berrell, & Gloet, 2008). Therefore, it is argued that outward appearance has become one of the key motivators for modern Chinese employees as they perceive success as the recognition of their visible achievement by others. (Wright, Berrell, & Gloet, 2008). This has resulted in rising consumerism and materialism, fuelled by the introduction of foreign luxury goods and services, whose consumption has become a status symbol that distinguishes the highly successful from the masses. From an organisational standpoint, traditional Chinese management techniques that assumed employees would work towards a collective goal began to fail. Instead, employees have been increasingly working for their own benefit rather than in the interests of the organisation (Wright, Berrell, & Gloet, 2008). Team-based work has become a competition between individual teammates who prefer achievement and power over affiliation and social needs.

Haier capitalised on this newly formed competitive nature of employees through their performance management system. By making employees responsible and accountable for their own goals, Haier both welcomed and fostered the development of individualism. Through restructuring communication between managers and employees to an individual level, Haier directly associated the performance of individual employees with the success of the division. These elements motivated individuals to work harder as their efforts were now recognised, whilst minimising team-related conflicts. Their “Racetrack Model” and talent development mechanisms allowed employees to reach the status they desired without needing to abide by the traditional principles of Face, Guanxi, and Quanzi. This motivated employees to work harder, smarter and more creatively, and in doing so, improved productivity, efficiency and innovation. Thus, a model of freedom, transparency and fairness was being introduced to a society that was cemented in its traditional formalities.

With the increasing economic growth and urbanisation of China, competition to succeed is greater than ever (Yuan, 2013). Today’s workers are even more attracted to the allure of material wealth and status, and are willing to work hard to achieve those aspirations. In addition, traditional elements of Face, Guanxi, Quanzi and social hierarchy are still very much prevalent as barriers in many aspects of business and private life. Haier’s performance management system breaks down these barriers and focuses purely on the effort of the employee. Therefore, such a system would still be applicable and successful in modern day China but use outside of China can be debatable.

Global Applicability

China has a very dynamic culture in that tradition is infused with new found individualism. The workforce is ambitious, competitive and driven by visible achievement. On the other hand, Australia has a very broadly defined but predominately westernised culture. Studies have found that the five most important Australian values are benevolence, achievement, self-direction,

hedonism, and universalism (equality, unity and peace) (Feather, 1994). These values, especially the latter three, are very western ideals that contrast traditional Chinese values of hierarchy, loyalty and humility (Yuan, 2013). Although Haier have incorporated components of these values, a hierarchy was still very much enforced, and equity was perceived based on relative terms, not absolute terms. Employees knew their place and were seen to be obedient towards their superiors, even though roles were technically interchangeable. This engrained behaviour was in part responsible for the successful implementation and control of Haier's system in China.

Australia has a much looser culture that values freedom of speech and absolute equality. Therefore, Australian employees may perceive Haier's system as overtly strict and authoritative, resulting in a more vocal response and diminishing obedience towards their superiors. They may also perceive the method of measuring success purely through output as unjust, since it doesn't consider other factors. Ultimately, there will be a disconnect between the desired behaviour and employee's culturally engrained behaviour resulting from value discrepancy and internal conflict (Molinsky, 2013). Thus, Haier's current performance management system cannot be successfully implemented in any country unless it has the exact social values of modern Chinese employees.

Conclusion and Recommendations

In conclusion, Haier has successfully broken down certain barriers in tradition that have restricted employees from reaching their full potential. Motivation theory suggests that through delegating responsibility, monitoring individual performance and offering rewards, Haier have successfully satisfied the innate needs of employees. Through this they have reaped the benefits of productivity, efficiency and innovation. In order to apply their performance management system elsewhere, they must ensure they are not imposing conflicting cultural behaviours and should tailor certain aspects to be congruent with that specific culture. These aspects may include rewards, control mechanisms and definitions of performance. Only then can Haier achieve successful international expansion.

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